



May 2022

# SUSTAINABLE PROCUREMENT : CSR KPI

## Introduction

ENGIE's purpose ("raison d'être") is to act to accelerate the transition towards a carbon-neutral economy, through reduced energy consumption and more environmentally-friendly solutions. The purpose brings together the company, its employees, its clients and its shareholders, and reconciles economic performance with a positive impact on people and the planet. ENGIE's actions are assessed in their entirety and over time.

## Procurement, a pillar of ENGIE's Vigilance Plan

In accordance with the provisions of the Sapin II law and the law relating to the duty of vigilance of parent companies, ENGIE Group Procurement Department has implemented processes and tools to prevent risks to its subcontractors and suppliers, in France and abroad. Actions and documents underpinning the Group Vigilance Plan are highlighted in this document with the following logo : 

## Procurement, sustainable by design !

Understanding and quantifying what really matters in the value chain is a key component of the Group's strategy.

With an addressable spend of 14 billion euros in 2021\*, of which 70% in Europe. ENGIE Develop and maintain sustainable performance with ~100 000 active suppliers (90% European).

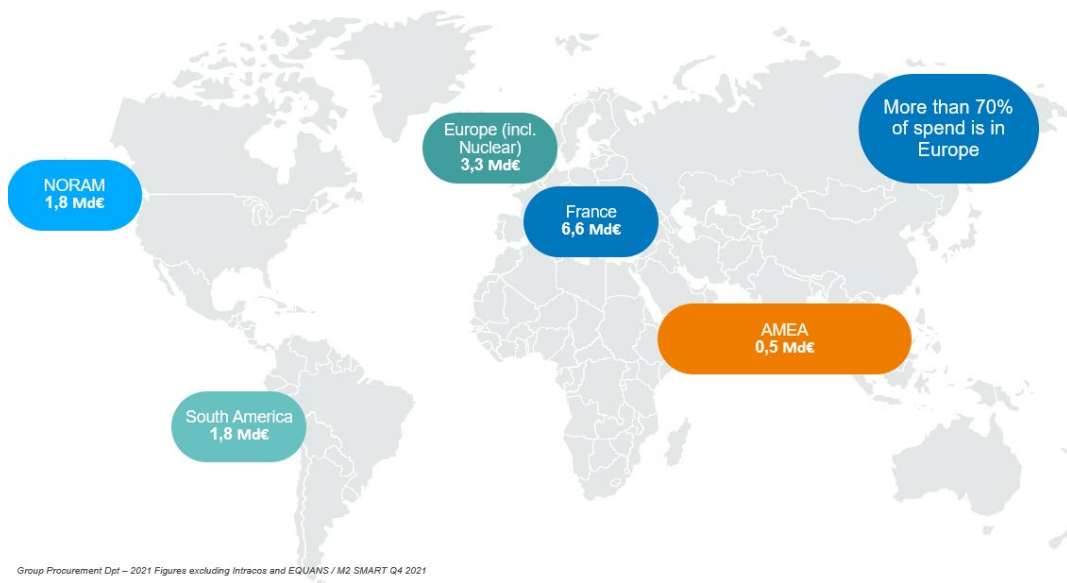
(\* except energy)

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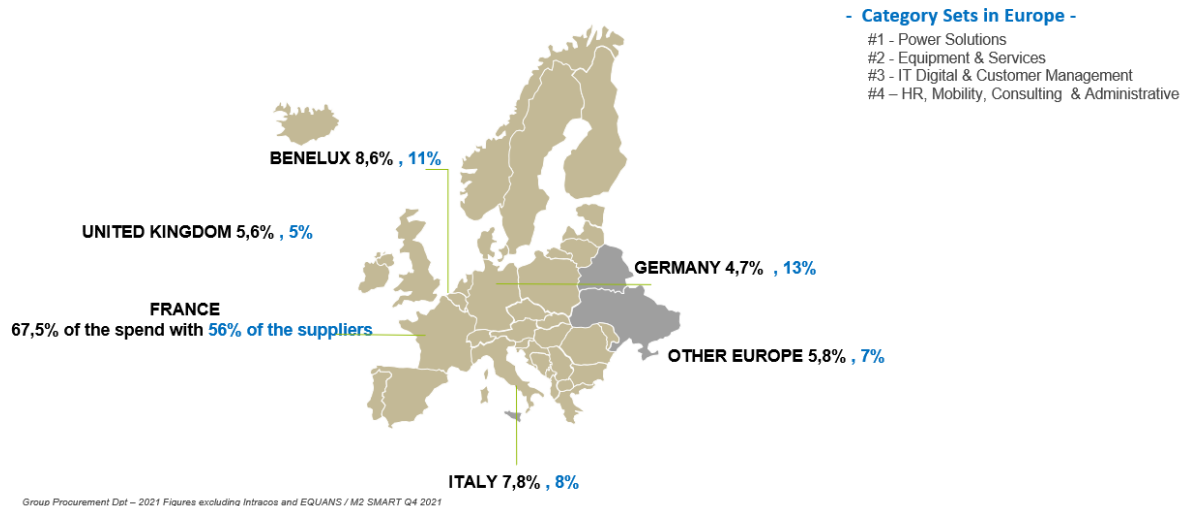


## 1. PROCUREMENT AT ENGIE – KEY FIGURES (2021)

### A GLOBAL FOOTPRINT INCREASINGLY IMPORTANT



### PROCUREMENT SPEND IN EUROPE (ENERGY NOT INCLUDING)



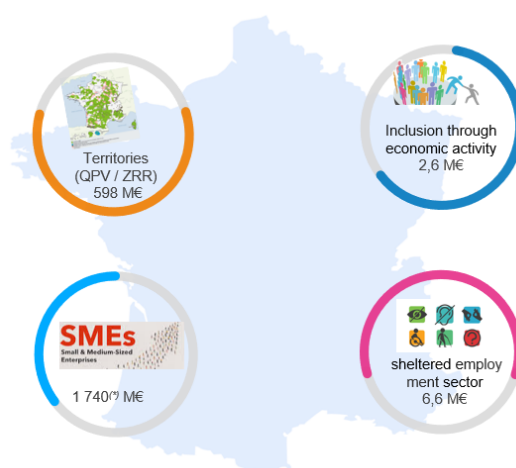
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## ENGIE IS A KEY PLAYER IN INCLUSIVE BUSINESS IN FRANCE



## A LARGE RANGE OF PURCHASE CATEGORIES & SUPPLIER BASE

SMALL PARTS TO TURNKEY SYSTEMS – SERVICES (ENGINEERING, STUDIES, IT & DIGITAL...)



Group Procurement Dpt – 2021 Figures excluding Intracos and EQUANS / M2 SMART Q4 2021



## 2. ENGAGING WITH SUPPLIERS FOR A SUSTAINABLE BUSINESS

ENGIE is a European and world leader in low-carbon electricity production, centralized and decentralized energy networks, and associated services.

Suppliers and subcontractors represent key stakeholders in the Group's value chain. The Group's Purchasing function has defined a clear vision organized around the following goals:

- to contribute to the Group's operational performance by putting forward a panel of competitive and differentiated suppliers to the operational teams;
- to uphold the Group's commitments to its suppliers;
- to contribute to the Group's CSR approach and carbon neutrality;
- to develop key talent and expertise within the Purchasing sector and promote Purchasing within the Group's career paths.

To achieve this ambition, the Procurement Department relies on :

- a Management System « sustainable by design »,
- an organization driven by the procurement category management and reinforced by a matrix organization in entities,
- a continuous procurement training program,
- a supplier CSR assessment carried out by a partner : EcoVadis,

The Procurement function is helping the Group to achieve its 2030 goals through a sustainable purchasing process driven by actions with equipment suppliers in all business segments. In 2020, the Group Purchasing Department set three CSR goals, which will later be rolled out throughout its management system:

Objective title	Criterion	2025 objective	2030 objective
1. Decarbonization of the main suppliers	250 preferred suppliers aligned with or certified by the SBT	25%	100%
2. Developing responsible purchasing	CSR assessment of suppliers measured by the percentage of preferred suppliers and major suppliers with an ECOVADIS rating higher than "managed CSR risk"	70%	100%
	Promotion of inclusive purchasing measured by the share of inclusive purchasing aligned with the GT3 recommendations. A working group made up of French companies (BnpParibas, Accor, Crédit Agricole, Danone, etc.)	60%	100%

The group is also taking actions to reduce payment delays by rolling out "Purchase to Pay" initiatives in entities and ensuring regular monitoring.

The procurement is a lead actor of the Vigilance Plan together with the Ethics, Compliance & Privacy Department, the Global Care Department and the Corporate Social Responsibility Department.



### 3. A MANAGEMENT SYSTEM SERVING CSR OBJECTIVES

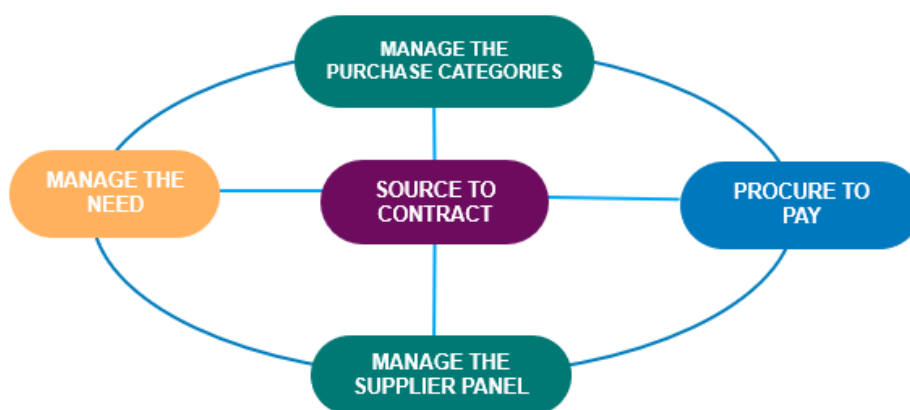
To achieve its objectives, the procurement Department has deployed a robust management system compliant with legal requirements that is transcribed in two governing documents:

3.1 A new Group Procurement Charter (Commitment and Risk management) : this public document which emphasizes ENGIE's decarbonation ambitions, is shared with suppliers. It specifies the Group's requirements in terms of:

- the suppliers' health and safety commitments,
- a commitment from suppliers to engage in ethical business relationships and take into account social responsibility, ethics, embargoes and anti-corruption,
- the search for competitive bids and sustainable and innovative solutions;

3.2 A Procurement Governance: document defining Group-wide principles for the management of external expenditure and setting out the operating rules for Purchasing. It aims to reinforce the separation of tasks between buyers and purchasing advisers, while encouraging their cooperation when selecting the best offerings.

The requirements of these two documents, as well as the Group's more general requirements, are set out in the operational processes.



These processes cover the management of purchasing categories and supplier panels as well as the stages of purchasing and procurement. They are compliant with ENGIE Group requirements :

- the Ethics Charter,
- the Corporate Social Responsibility Policy Global Care,
- the Code of Conduct for Relations with Suppliers,
- the Due Diligence Policy for Direct Suppliers and Subcontractors.

These requirements must apply throughout the whole supply chain and are incorporated in the standard Ethics and CSR clause that must be found in all ENGIE's contracts. As per this clause listing obligations related to human rights, environment, bribery, embargo... "The Supplier shall comply with,



and shall ensure compliance by its own suppliers and subcontractors as well as by any third party involved in such work or services, with the requirements set out in paragraph two above.”

### 3.3 Monitoring the deployment

The proper implementation of these processes is verified via the INCOME internal control program. With 28 different controls, the INCOME PRO reference system covers all purchasing processes.

## 4. A PROCUREMENT ORGANIZATION DEDICATED TO CSR OBJECTIVES

The CSR approach is fully implemented by the Procurement Department through its matrix organization.

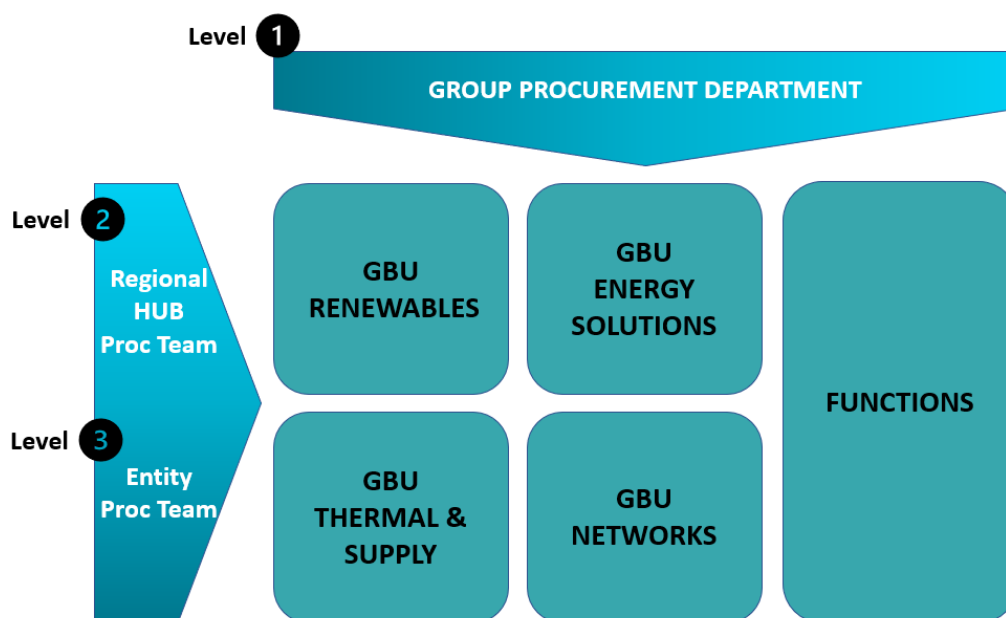
Procurement is an integrated “glocal” organization based on :

- A global and local management depending on process / suppliers / stakeholders
- An organization by area of expertise
- A standard approach across ENGIE

Procurement is organized in three levels :

- Level 1 : Group Procurement Department leading Category management, governance, performance, process & tools, steering and transformation. This level is managed by the Group Chief Procurement Officer (Group CPO) at Corporate.
- Level 2 : Regional Procurement Hubs organizing synergies and standardization across countries with the support of Shared Service Centers. These levels are managed by Hub Chief Procurement Officers (Hub CPO), except for France where this level is managed by Group CPO.
- Level 3 : Countries focusing on operational activities including negotiation, contract and supply execution. These levels are managed by Heads of Procurement Country/Entity (Entity CPO).

Dedicated Procurement Business Partners take over the coordination with GBUs’ and Support functions’ management, acting as single points of contact.



## 5. A TRAINING PROGRAM FOCUSING ON CSR THEMES

The Purchasing management system is facilitated by a continuous training plan for the entire Purchasing sector. Face-to-face and videoconferencing sessions are supplemented by the delivery of online modules via Ulearn, the Group's training intranet.

In 2021, around 500 purchasers took part in the "Ethics and supplier relations" training course through face-to-face sessions and videoconferencing. Three Ulearn training modules were mandatory for the entire purchasing function:

- Fraud and Corruption,
- Zero Tolerance Our Group,
- Our Ethics Competition Law.

ENGIE training program is followed up on a quarterly basis.

Furthermore, these CSR topics are regularly included in the management routines of the Procurement function, and in meetings organized with procurement advisers and operational staff involved in the Procurement process.

## 6. SUPPLIERS CSR ASSESSMENT

Since the end of 2018, the Group Procurement Department has entrusted an external provider (ECOVALIDIS) the CSR assessment of the Group's main suppliers\* over four themes (Environment, Work



and Human Rights, Ethics and Sustainable Purchasing). This panel of circa 1600 suppliers is spread over nearly 70 countries and represent a significative part of the Global Spend.

To date (May 2022), the overall score of assessed suppliers is 54,7/100 which is good according EcoVadis' referential. Over 45/100, EcoVadis considers that the supplier is engaged in major CSR topics, therefore risks are limited. The Supplier embraces continuous performance improvements on CSR and should be considered for a long-term business Relationship

The progress of the evaluation is both monitored through ECOVADIS' platform and internally by the Group Procurement Department.

*\*The Group main suppliers panel is made up of 250 Preferred Suppliers subject to a Group procurement policy and managed by category Managers at Group Level and 1350 Major suppliers who the ENTITIE main suppliers and managed locally.*

### 6.1. EcoVadis methodology

EcoVadis is a CSR specialist, that has developed a methodology for assessing company CSR engagement against 21 CSR criteria and analyses multiple data sources by CSR experts.

ENVIRONMENT	LABOR & HUMAN RIGHTS	ETHICS	SUSTAINABLE PROCUREMENT
<b>Policies - Actions - Results</b>			
<ul style="list-style-type: none"> <li>• Energy Consumption &amp; GHGs</li> <li>• Water</li> <li>• Biodiversity</li> <li>• Local &amp; Accidental Pollution</li> <li>• Materials, Chemicals, &amp; Waste</li> <li>• Product Use</li> <li>• Product End-of-Life</li> <li>• Customer Health &amp; Safety</li> <li>• Environmental Services &amp; Advocacy</li> </ul>	<ul style="list-style-type: none"> <li>• Employee Health &amp; Safety</li> <li>• Working Conditions</li> <li>• Social Dialogue</li> <li>• Career Management &amp; Training</li> <li>• Child Labor, Forced Labor &amp; Human Trafficking</li> <li>• Diversity, Discrimination &amp; Harassment</li> <li>• External Stakeholder Human Rights</li> </ul>	<ul style="list-style-type: none"> <li>• Corruption</li> <li>• Anticompetitive Practices</li> <li>• Responsible Information Management</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier Environmental Practices</li> <li>• Supplier Social Practices</li> </ul>

Suppliers are assessed on a scale numerically represented as scales from 0-100 (0-24=Insufficient, 25-44=Partial, 45-64=Moderate, 65-84=Advanced, 85-100=Outstanding)

### 6.2. Specific requirements for Preferred and Major Suppliers

In compliance with the operational process "Source to Contract", the CSR assessment of the new Preferred and Major suppliers is systematically implemented during the tender phase allowing ENGIE to carry out the pre-requisite full due diligence procedure before contract signature.

In 2022, the due diligence program launched in 2021 towards SOLAR equipment's' supply chain has been renewed and extended to wind turbines' Preferred suppliers to assess the risk of forced labor in China. This program supported by Due Diligence third parties is completed by a questionnaire sent to





each tier 1 suppliers. ENGIE is expecting a statement from its suppliers on the rejection of any human rights violation and a comprehensive list of non-tier 1 subcontractors.

In addition, ENGIE has focused over the last few months on suppliers located or having links with Russia in the context of war in Ukraine. A mailing has been sent to all ENGIE key suppliers (Preferred and Major Supplier) to assess the impact of the embargo and identify suppliers at risk.

This survey supplements the Internal Control process which includes a dedicated tool directly connected to ENGIE's ERPs. HIGHBOND (provided by DILIGENT Inc) identifies all suppliers located in countries under embargo or based in tax havens and triggers alerts to the entities' buyers and the Ethics, Compliance and Privacy Department.

### 6.3. Management of critical suppliers

EcoVadis considers that suppliers having a score above 45/100 are engaged in major CSR topics, therefore risks are limited. On the contrary, suppliers with a lower score may put ENGIE at risk hence the minimum score of 45 has been set to define a list of Preferred and Major suppliers critical CSR wise. This list is maintained by at the Group level but also at ENTITIE level.

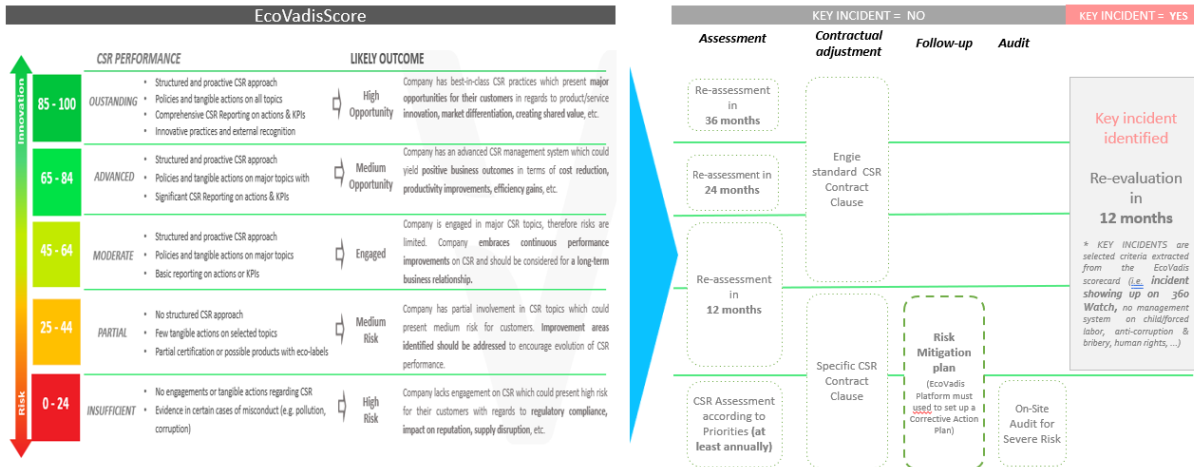
Critical suppliers must set up a corrective action plan using EcoVadis platform. ENGIE procurement ensures regular follow up either on the platform or in regular business review over the contract duration.

A CSR evaluation is required on a yearly basis for critical suppliers until their score is above 45. This requirement applies also to suppliers with a score below 65 as set out in the matrix below. However, no matter the supplier's score level, in case of key incident occurrence, the suppliers will be instructed to be reassessed by EcoVadis within 12 months.

The matrix below sets out the supplier risk management against EcoVadis scoring.



## SUPPLIER RISK MANAGEMENT BASED ON SUPPLIER SCORECARD

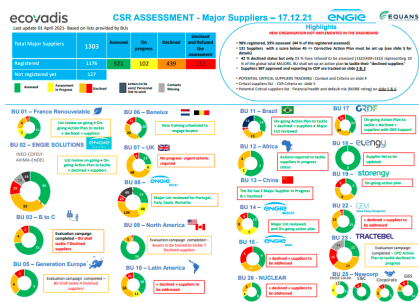


Other criteria to reinforce Risk Management depending on Spend threshold or negative feedback about supplier

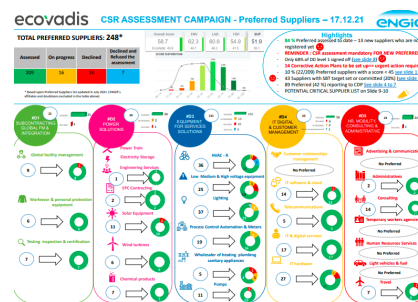
### 6.4. Report on progress done

The proportion of Preferred and major suppliers with an ECOVADIS score above the “controlled CSR risk” level is one of the Group's objectives in terms of responsible procurement. The progress of the CSR commitment of these two panels is therefore important and subject to very regular management and monitoring by the Group Procurement Department. Two dashboards are shared with Category managers and the 25 Entities Units on average twice a month.

Since the 2021, the number of Preferred and Major Suppliers assessed by EcoVadis portal has almost doubled and reached a total of 1101 in May 2022.



250 Preferred Suppliers



circa 1350 Major Suppliers in the Group

The significant increase in the number of suppliers assessed should be supported in the short term by the introduction of new obligations in all contracts concluded with ENGIE. The “Ethics” clause now provides for the possibility for purchasers to ask the supplier to be assessed, at his expense, by a third party appointed by ENGIE. The exercise of this option will be systematic for Preferred and Major suppliers.



Risk management is also improved by pooling due diligences carried out by all entities. A SharePoint accessible by the entire procurement function via the Procurement Information Center (PIC). To date, 995 have been evaluated in terms of ethics by EcoVadis, including, in 2021, 591 new or re-evaluated suppliers.

## 6.5. Procurement Risk mapping

Alongside the assessment of the suppliers, the procurement risk analysis is conducted via a risk mapping developed in partnership with ECOVADIS. This matrix combines the CSR risks intrinsic to each of the 62 purchasing categories and the country risk corresponding to operation's location. This matrix allows to define a global CSR risk on a scale of 1 to 6. This risk matrix, together with a set of recommendations, enables selection criteria and means of limiting risks to be defined for new suppliers.

In 2021, three procurement categories are considered high risk with a CSR risk level of 6 regardless of the country where the products are manufactured: engineering / turnkey installation, chemicals, batteries.

## 7. CSR PROCUREMENT OBJECTIVES : PROGRESS STATUS

In line with ENGIE's CSR ambitions for 2025-2030, the 3 objectives set by the Group Procurement are measured through 3 KPIs :

Theme	KPI	Target 2025	Target 2030	2021	2020	2019
Decarbonization of the main suppliers	250 preferred suppliers aligned with or certified by the SBT*	25%	100%	20%	15%	not available
CSR Evaluation	Share of Preferred and Major** suppliers with an ECOVADIS rating above the "controlled CSR risk" level	70%	100%	25%	20%	13%
Inclusive Purchasing	Share of inclusive procurement aligned with the five GT3 recommendations ***	60% of GT3 recommendations	100% of GT3 recommendations	40%	30%	not available

\*SBT : Science Based Target

\*\* Preferred Suppliers are subject to a Group procurement policy and managed by category Managers at Group Level. Major suppliers are the main suppliers to the ENTITIES.

\*\*\* GT3 is a working group made up of French companies (BnpParibas, Accor, Crédit Agricole, Danone, L'Oréal, Orange, EDF, Renault, AXA, Schneider Electric, etc.). 5 recommendations / 1- Appoint a Comex sponsor to promote inclusive purchasing in the company ; 2 -Include a clause on inclusive purchases in all tenders for which this is possible ; 3 -Set up simplified purchasing and contracting processes for companies eligible for the inclusive purchasing criteria ; 4 -When possible, include in all RFP a bidder selection criteria to assess their commitment to inclusion ; 5 - Measure progress annually

### About ENGIE

Our group is a global reference in low-carbon energy and services. Together with our 170,000 employees, our customers, partners and stakeholders, we are committed to accelerate the transition towards a carbon-neutral world, through reduced energy consumption and more environmentally-friendly solutions. Inspired by our purpose ("raison d'être"), we reconcile economic performance with a positive impact on people and the planet, building on our key businesses (gas, renewable energy, services) to offer competitive solutions to our customers.

Turnover in 2021: 57.9 billion Euros. The Group is listed on the Paris and Brussels stock exchanges (ENGI) and is represented in the main financial indices (CAC 40, Euronext 100, FTSE Eurotop 100, MSCI Europe) and non-financial indices (DJSI World, DJSI Europe, Euronext Vigeo Eiris - Eurozone 120/ Europe 120/ France 20, MSCI EMU ESG screened, MSCI EUROPE ESG Universal Select, Stoxx Europe 600 ESG, and Stoxx Global 1800 ESG).